

The Origins of Public Broadcasting in Canada in Comparative Perspective

KENNETH C. DEWAR, *Wilfrid Laurier University*

One persistent element in the received version of Canadian cultural and economic history is the symbiotic relationship in which national identity and state economic activity are seen to exist. On the one hand, a large measure of state participation has been regarded as an important distinguishing feature of Canadian capitalism. On the other, the willingness of Canadians to accept such participation is said to be a product of their desire to preserve a distinct identity, to survive independently on the North American continent. Nowhere is the belief in this interconnection more evident than in studies of Canadian broadcasting policy.

In 1932 the federal government created the Canadian Radio Broadcasting Commission, forerunner of the Canadian Broadcasting Corporation, to regulate and control and also to carry on the business of broadcasting in Canada. This action, which represented a significant departure from the minimal controls which government had imposed on the industry during its first decade of development, laid the basis of a new Canadian broadcasting system. The inception of state ownership, partial as it was, produced a mixed public-private system which seemed to stand midway between the patterns established in Great Britain and the United States. It appeared to reflect, in a sphere of obvious cultural importance, the "British North American" mentality of Canada — a compromise between British paternalist collectivism and American possessive individualism. It seemed at once a product of Canada's desire for survival and an assertion of its peculiar national character.

The nationalist basis of the state's active role in Canadian radio requires, it would seem, re-examination from two directions. First, it is useful to recall the origins of the British and American broadcasting systems. To a large extent, from comparing these two

systems we may see the Canadian system as a manifestation of a peculiar "public enterprise" culture. Second, the nationalism of the public ownership movement needs to be seen in its historical context. By whom was the national sentiment expressed? With what interests did it coincide? What needs, other than national ones, were felt and expressed in the conflict over state ownership? Above all, what was the condition of the broadcasting industry at the time and what was its relationship to other industries of communication? This paper will argue that the changes introduced in the 1930's had their roots less in a visionary design intended once and for all to solve the problems of Canadian broadcasting, than in a sequence of responses to technological and economic conditions peculiar to the time.

International exchange and national protectionism were both present as radio moved from a period of invention and innovation to one of commercial development. The names of Hertz, a German, Lodge, an Englishman, Branly, a Frenchman, Popoff, a Russian, DeForest, an American, Fessenden, a Canadian in the United States, and of course Marconi, an Italian in England, figure prominently in the process of technical development which radio underwent from the late nineteenth century to 1914. The discovery of one was built upon by another. Telegraphy and telephony, both limited to point-to-point communication, were succeeded by broadcasting, and the focus on invention, though itself by no means separate from business interest, was followed by a growing awareness of the commercial potentialities of the new medium. As these were realized, the producers and distributors of radio receiving sets demanded a standard form of industrial protectionism against the competition of foreign rivals. And the nationalism which this produced was reinforced by the nature of the broadcasting medium: the limited number of wavelengths generated a kind of wavelength protectionism. Nevertheless, this very limitation necessitated some degree of international regulation in the interest of the industry's stability and rationalization. National interest and international need coexist rather uneasily in the early years of broadcasting.

As the significance of the "wireless" gradually became evident, governments responded in varying ways, according to the situation in their respective countries. We have come to regard the responses of the British and American governments as two sharply contrasting alternatives in broadcasting policy. One eventually created a completely state-owned system based on a concept of radio as a "public service"; the other eventually opted for a policy of regulation of a privately-owned system based on the commercial profitability of the medium, particularly for advertising. Careful attention must be paid, however, to the use of the word "eventually" in both cases. As Asa Briggs has observed, "In their birth and infancy...they were not so distinct as they have since become."¹ In each case, choices were

made, rejected or by-passed. The patterns established in Great Britain and the United States, and in Canada, were the product not so much of a peculiar collective mentality as of a particular conjuncture of pressures and circumstances.

The BBC was established in October, 1922 at a very early stage of British broadcasting history. But it was not at this time the public corporation which later, in 1927, it was to become. Rather, the BBC was initially the British Broadcasting *Company*, a government-sponsored consortium of wireless manufacturers which undertook to provide radio programs to the public. Under the general jurisdiction of the Post Office, and limited by its charter to a fixed dividend rate of 7.5 percent, the Company was capitalized by the sale of shares to *bona fide* British manufacturers of wireless apparatus. While it did not become so, to no small extent because of its first director, the company was at first formed as an arm of the manufacturing industry. It was, in short, a business enterprise.²

Two points about the Company's formation are of immediate importance. Not only was it the first government venture, aside from licensing control, into the field of broadcasting in Britain, but it was also the first significant company of any kind to be constituted mainly for broadcasting purposes. Numerous broadcasts of an experimental nature had previously been made, by amateurs and by manufacturers. But with the possible exception of the "Writtle" station, with which the Marconi firm was connected, and the unofficial transmissions of the Metropolitan-Vickers company station in Manchester, no company had proceeded beyond the stage of application for a license by the time the BBC was created. Secondly, the venture was embarked upon at a period when the potential of radio, for profit, entertainment or enlightenment, was only beginning to be recognized. Even by late 1923, when the report of the first parliamentary inquiry into broadcasting had been brought down, that of the Sykes Committee, control of the wireless was not seen as a topic of major public importance. In its first incarnation, the BBC was very much a part of the birth, in Britain, of broadcasting itself.

Among British manufacturers, Marconi's Wireless Telegraph Company was the first to become actively interested in building and operating stations.³ It was followed by the Metropolitan-Vickers Electrical Company early in 1922 and, as the year wore one, other companies expressed their desire to enter the field, including the Western Electric Company, a branch of the American Bell Telephone group. The interest of the manufacturers, not surprisingly, was in the development and sale of radio receiving sets. In applying for a broadcasting license the head of research at Metrovick "referred to the successful broadcasts of the American Westinghouse Company, the opportunities for research and

technical development which experience of a British broadcasting station would provide, the possible market for radio sets which all radio manufacturers would share, and the likely canalization of amateur interest and enthusiasm." This last point was aimed at ordering and reducing the growing number of transmissions being made by amateur radio buffs. Broadcasting activity would give Metrovick "a popular standing as a radio power."⁴ It is interesting to note as well the commercial alternatives perceived by the manufacturers during their later negotiations with the government. Advertising was left alone "for present." The sale of broadcasting stations was prevented by government conditions and by the limited profit potential of building the small number of stations that were thought to be required. Expansion of the market for receiving sets appeared to be the only hope.

Jurisdiction over the transmission of radio signals, interpreted to include both sending and receiving, rested with the Postmaster-General, having grown out of his responsibility for telegraphy and telephony, and it was to his department that these companies made their applications for broadcast licenses. Reacting particularly to complaints of interference from the military, the Post Office replied that the airwaves were already crowded. In May it initiated a series of meetings with the manufacturers in an attempt to arrive at a design for orderly development. This action, as we shall see, was prompted to a very large extent by the chaotic progress of the American broadcasting boom.

The discussions which ensued did not reveal striking philosophical differences between the parties involved. The Post Office entered the negotiations with a skeletal plan in mind. This had been devised in consultation with other government departments through the Wireless Sub-Committee of the Imperial Communications Committee, which itself had consulted the two largest radio interests, Marconi and Metrovick. The idea of government ownership was categorically rejected. Sir Henry Norman, chairman of the Wireless Sub-Committee, even envisaged a competitive system and, in so doing, reflected the general acceptance of commercial operation: each company would provide a service, "and there will be natural rivalry to furnish the most attractive programmes, since hearers may conclude that the firm supplying the best entertainment in the clearest manner is most likely to make good apparatus."⁵ The preference of the Post Office, however, was for one company, or perhaps two, in which all the manufacturing firms would participate. Its chief concern was allocation of the narrow band of available wavelengths. In this concern the manufacturers concurred.

The manufacturers met without the presence of government officials to propose a company structure, and it was in this arena that differences arose. Dominated by the "Big Six" firms — the Marconi

Company, Metropolitan-Vickers, the Western Electric Company, the Radio Communications Company, the General Electric Company and the British Thomson-Houston Company — discussion faltered on the issue of who would construct the stations. The problem, in a word, was patent control. "Who knew what, and how much? How much would each party be prepared to pass on?"⁶ Most especially, the Marconi Company was loathe to relinquish its patent superiority. Prolonged negotiation, during which it appeared for a time that two companies would emerge, resulted eventually in a one company scheme which recognized Marconi's strength and stipulated a neutral chairman of the board. All parties, including the Post Office, in fact preferred the one company idea and the manufacturers' main interest was in receiving sets, not stations. Though successfully resolved, the dispute does reflect the concentration of commercial interest in equipment. That interest was further revealed by the explicit protectionist character of the BBC. While not a monopoly, since entry could be achieved on the purchase of a £1 share, membership in the company was restricted to domestic manufacturers who would agree to use only British-made apparatus. In order to avoid a free trade issue, the companies agreed to a Post Office suggestion that instead of completely prohibiting the import of foreign made apparatus, its sale be prohibited for a period of two years.

After further discussions, in which the Post Office insisted that the board of directors include representatives of the smaller companies as well as the Big Six, the company was formed. Its revenue was to be based on a share of the license fee collected on receiving sets and a royalty on the sale of sets produced by BBC members.

Over this entire process had hovered the cloud of American broadcasting. The chaos of the airwaves in the United States concerned the manufacturers and the Post Office alike, as it was increasingly concerning the Americans themselves. F.J. Brown, the Post Office official who became most directly concerned with broadcasting policy, spent the winter and spring of 1921-22 in the United States, observing the early stages of the radio boom. His visit, according to Briggs, "provided the requisite background of information and experience to enable the Post Office to evolve a broadcasting policy."⁷ Just before the meetings with manufacturers were called the Postmaster-General made a statement which clearly reflected Brown's advice.

It would be impossible to have a large number of firms broadcasting. It would result only in a sort of chaos, only in a much more aggravated form than that which arises in the United States, and which has compelled the United

States, or the Department over which Mr. Hoover presides, and which is responsible for broadcasting, to do what we are now doing at the beginning, that is, to lay down very drastic regulations indeed for the control of wireless broadcasting.⁸

The problem was not advertising, which had hardly emerged even on American radio: it was interference and overlapping of radio signals. The theme recurred again and again. That Britain had lagged behind the United States in broadcasting development could be turned to her advantage. The small number of available wavelengths could be utilized in an orderly and efficient manner if the lessons of the American example were acted upon. To quote Briggs again, "What was immediately apparent...and historically of great significance was that for technical rather than social reasons the experience of American broadcasting in 1921 and 1922 could not easily be taken as a model on this side of the Atlantic."⁹

The BBC's structure, within four years of its formation, was radically altered. The chain of events which led to the creation of a wholly state-owned corporation was initiated very soon after the company began broadcasting. Conflict with the Post Office arose over an issue intimately connected to the protectionist basis of the BBC: licensing policy. Largely in response to the pressure of individuals and organized amateur wireless societies, the Post Office had continued the practice of issuing experimenter's licenses, ostensibly to genuine experimenters, which enabled them to build their own sets from separate components. This, as the manufacturers had feared, proved to be a loophole through which comparatively cheap foreign parts could be imported, and then easily assembled by the purchaser. The number of applications for experimenter's licenses soared, while revenue both from ordinary licenses and royalties failed to meet expectations. The BBC and its constituent companies pressed for some form of restriction on these licenses. In the face of pressure from businesses which had not joined the BBC, including the Electrical Importers' Trading Association, from segments of the press waging a free-enterprise-for-the-little man campaign, and from genuine experimenters themselves, the Post Office refused to act. At the same time, it was becoming evident that many listeners were abstaining from licenses of *any* kind and that others were making commercial use of their own radios! Not only was the manufacturing industry failing to reap the full benefits of the expanding radio market; BBC revenue for broadcasting purposes was suffering. The Company and the Postmaster-General, while at loggerheads over a solution, both recognized the danger which strict enforcement of the regulations implied for public support. As a consequence a parliamentary committee was appointed.

The Sykes Committee considered a wide range of broadcasting questions, and the idea of state ownership surfaced, if only in a very tentative manner.¹⁰ What is important for our purposes here, however, is that a solution to the licensing dispute emerged from its deliberations and from subsequent negotiations between the BBC and Post Office. Protection against foreign competition was allowed to continue until December 31, 1924, when it would cease entirely, even though the Company's broadcasting contract was only to terminate at the end of 1926. The unforeseen implications of this arrangement for the relationship between the BBC and its constituent companies were profound. The disappearance of protection in effect strengthened the BBC by loosening the bond by which its interests were tied to those of the radio manufacturing business.¹¹ The manufacturers, for their part, became less interested in the economics of broadcasting than they had been in 1922. License fees became the sole financial support of the Company. The lesson to be drawn was not lost on J.C.W. Reith, the Company's Director and, by what had been called an "accident of management", its formative influence in the early years. Reith took advantage of his freedom of action to mould the BBC into his conception of a "public service" institution. His importance was such that Briggs ascribes to him the role of changing "twentieth-century British history by converting the controversial commercial Company into an established national institution."¹²

Though much happened between the Sykes Committee report and the corporation character of 1927, it was a direct step from Reith's management of the Company to the establishment of a state institution intended to be independent of both the trade and the government. The BBC ultimately grew out of a struggle in which questions of philosophy and taste, both later to be focuses of vigorous debate, played a role secondary to the interconnected interests of business and technical development. The Company had been established at an early stage, at least in part to avert the chaos foreshadowed by the American experience. The institutional framework created in response to one set of conditions moulded subsequent debate, even as the framework was being transformed by changing commercial circumstances and John Reith. Most strikingly, its basis was laid at a period when the potential of advertising for greatly increasing the commercial profitability of broadcasting was only dimly perceived. In the laying of the groundwork for "public service" broadcasting in Britain, timing was crucial.

The growing disorder of the American airwaves in 1921-22 which so absorbed the attention of British policy makers was a subject of increasing concern in the United States as well. The outstanding feature, indeed, of the American case was the extraordinary rapidity

of radio's initial development. As late as the end of 1920 the corporate alliance that was to dominate the industry in its early years regarded national and international point-to-point communication both as its major interest and as the area in which radio's main potential for profit lay. In 1921 the Department of Commerce adopted "broadcasting" as a new station classification and between January and November issued five licenses. In December it issued twenty-three. By July of the following year the total number had rocketed to 458.¹³ The boom had arrived.

Not only was development rapid; it was led by powerful corporations. In October, 1919, the Radio Corporation of America had been created with the encouragement of the government — indeed, with a government representative on its board of directors — with the aim of securing American dominance of international point-to-point communication. The early parties to the corporate alliance represented by RCA included General Electric and American Telephone and Telegraph, which had experienced considerable growth under government stimulus during the war, and Western Electric, AT & T's subsidiary. American Marconi was specifically excluded because of its close ties with its British parent.¹⁴

Westinghouse, initially excluded from the group and searching for means of activating idle war-developed capacity, bought control of certain available patents. Large numbers of amateur operators, released from wartime restrictions, were now experimenting with radio broadcasts. Two of these were employed at Westinghouse's Pittsburgh plant. Their experiments, performed on their own time, suggested to Westinghouse the possibility of adapting for commercial sale the light weight, compact receivers which had been developed for the army during the war. If the company established a regular broadcasting service it might be amply rewarded for its efforts both by the sale of sets and by the publicity its name would receive. Westinghouse applied for a license and on November 2, 1920, station KDKA went on the air to transmit the results of the presidential election. Newspapers responded with gratifying zeal to this new merchandising campaign of one of their major advertisers. Almost immediately retailers were faced with a mounting demand for receiving equipment. On June 30, 1921, Westinghouse was admitted to the RCA-GE-AT&T alliance.¹⁵

Radio had entered a new phase of development; the word itself would soon be associated more with broadcasting than with telegraphy or telephony. By 1922 RCA, which acted as sales agent for GE and Westinghouse receiving equipment, earned more income from the new radio business than from marine and transoceanic communication.¹⁶ The alliance, now in possession of some two thousand patents, at once assumed a dominant position in radio equipment manufacturing, and would shortly occupy a strong position in broadcasting as well. In cementing its control the alliance

faced resistance from smaller manufacturers and station owners who resented the enforcement of its patent rights. The external relations of the alliance constituted one of four closely related areas of conflict, out of which emerged, in the next ten years, the pattern of American broadcasting. A second of these areas lay in the alliance's internal relations, as AT&T successfully attempted to expand its broadcasting interest beyond that contemplated in the original agreement. A third conflict centred on government regulatory policy, and the fourth on a question which only gradually assumed pressing importance: how was broadcasting to be financed?

Finance was at first regarded as a minor problem. A relatively small amount of capital was required to establish a low power transmitting station.¹⁷ Program content was usually provided by people who were eager to participate voluntarily in what was, after all, a novel and very public medium of self-expression; the excitement and spontaneity which surrounded the Writtle experimental broadcasts in Britain were duplicated in numerous towns and cities across the United States. More importantly, a variety of individuals and institutions began broadcasting, not as an end in itself, but as a means of supplementing and assisting their primary activities. For radio manufacturers, retailers, department stores and newspapers, broadcasting stations were a means of indirect advertising. College and universities thought of them in terms of extension teaching, home degree study and publicity for fund raising. Religious bodies saw in them a means of expanding their congregations. In almost no case was broadcasting conceived as an independent self-supporting business.

Early financing proposals reflected this approach to the medium and, among the alternatives, direct advertising was almost universally rejected. No one disagreed when Secretary of Commerce Herbert Hoover declared at the first Washington Radio Conference that it was "inconceivable that we should allow so great a possibility for service to be drowned in advertising chatter."¹⁸

Yet, by the end of the twenties what had been inconceivable early in 1922 was well on the way to becoming the actuality of American radio. Increased capital costs, partly due to the inception of chain or network broadcasting, and increased programming costs, largely due to the rather abrupt decline of voluntarism, had combined to make the financial question a critical one. Two other developments offered a possible answer. One was the extraordinary growth which the American advertising industry experienced during the decade, as manufacturers sought to expand their market for consumer goods.¹⁹ The other was the success of AT&T's experiment in "toll broadcasting".

According to the allocation of functions which had been part of the original GE-RCA-AT&T-Westinghouse agreement, American

Telephone and Telegraph had major responsibility in the alliance for the production and sale of transmitters, and exclusive right to commercial exploitation of telephony, both wired and wireless. At first, though aware of the use it might make of its trunk lines for long-distance radio transmission, AT&T regarded broadcasting with caution. Not only was the company not engaged in the production of receiving sets; the implications of broadcasting for the future of the telephone business were as yet unclear. When it did take the plunge, early in 1922, it naturally enough built upon its telephone background. The company proposed to regard its radio station as analogous to a telephone booth: programs would be provided, not by the company, but by anyone who, upon payment of a "toll", wished to use its facilities for the purpose of broadcasting a program of his own choosing. "Just as the company leases its long distance wire facilities for the use of newspapers, banks and other concerns, so it will lease its radio telephone facilities and will not provide the matter which is sent out from this station."²⁰ AT&T's emphasis on the telephonic character of its experiment was shrewd as well as natural. While its partners in the alliance were not at that time concerned with income from broadcasting itself, it had nonetheless staked a claim, based on its telephony rights in the alliance agreement, to exclusive *commercial* use of "public radio telephone broadcasting".

The experiment was not an immediate success. The reputed line-ups of customers at retail radio outlets were not duplicated at the door of AT&T's New York station, WEAf. Complaints were voiced that the venture would produce just the kind of "advertising chatter" that almost everyone else wished to avoid. It was realized as well that some system of "sustaining," unsponsored programs was needed if listeners were to be available on those occasions when sponsors chose to purchase air time. AT&T employed its transmitter patent rights in an effort to force station applicants in the New York area to use WEAf facilities, and later exploited its control of telephone lines to link stations — and audiences — together in a "network". Notwithstanding the difficulties it encountered the company gradually built a clientele of sponsors. Advertising at this stage was usually indirect rather than direct. This is to say, that a simple announcement was made, *sans* sales pitch, that a program was sponsored by such-and-such a company, or, alternatively, the announcement was built into the program title, as in the National Carbon Company's "Eveready Hour". By 1925, WEAf's revenues had turned the corner.²¹

It is important to note that only gradually did other stations follow its lead, some in order to gain access to AT&T long lines. Yet as radio emerged from the novelty stage in the middle and late twenties, AT&T's "toll broadcasting" venture had a dual significance. It initiated technically proficient network broadcasting and thus

providing a means of reaching a large, even a national audience. And it offered a potential solution to radio's growing financial problem. Manufacturers and advertising agencies began to turn their attention to network broadcasting as a means of creating their market. The American Tobacco Company, for example, sponsored the "Lucky Strike Orchestra" as one element in a sales strategy, implemented in 1925, which involved disposing of its minor cigarette brands in favour of a concentrated effort to market Lucky Strikes.²² Commercialization advanced slowly and then, with the inauguration of regular national network programming at the end of 1928, more quickly.²³ Direct advertising began to be used more extensively than before. By 1931, advertising agencies were developing and producing virtually all sponsored network programs. The battle of commercial and non-commercial interests was now fully joined, but it was also too late to confront an industry which by then had grown to include not only stations, networks and manufacturers, but also advertising agencies, recording companies, press agents, trade papers and trade associations. Even the newspaper industry, increasingly concerned about the diversion of advertising revenue, was forced to compromise on the issue of news broadcasting.²⁴

AT&T applied its restrictive policy on the use of its telephone long lines against stations operated by its own allies, as well as against others. This, together with the intention of its subsidiary, Western Electric, to begin producing receiving sets, led in 1923 to a long, vigorous and complicated legal struggle within the alliance, albeit one which was carried on for the most part behind closed doors.²⁵ At the same time, both RCA and AT&T launched a more public campaign against alleged infringements of their patent rights on receiving sets and transmitting devices.²⁶ The details of these two conflicts need not concern us here. By 1925, however, divisiveness in the radio industry had attained almost chaotic proportions. The action against smaller stations and manufacturers led to an investigation of the industry by the Federal Trade Commission, with a view to possible violation of anti-trust laws. Within the alliance, the "radio group", composed mainly of RCA, GE and Westinghouse, and the "telephone group", composed of AT&T and Western Electric, slowly advanced through remarkably secret arbitration proceedings and negotiations toward their own re-appointment of the radio empire. In 1925, David Sarnoff, General Manager of RCA, linked his idea of an "independent" broadcasting company to toll broadcasting as a means of support. The parties finally reached agreement in the summer of 1926. AT&T withdrew from broadcasting and transferred its facilities to the "radio group", which in turn created a new corporation, the National Broadcasting Company, to take over its network business. AT&T was compensated by a lucrative contract for the use of its long lines. In

the meantime, out of court and by means of licensing agreements, the telephone company resolved its dispute with most of the stations which allegedly had infringed on its transmitter patents. Similar agreements were reached in 1927 between RCA and a number of set manufacturers. The FTC slackened, then dropped, its anti-trust action. The partners of the original radio alliance emerged from this rather hectic game of musical chairs relatively secure in their dominance of what was becoming the American broadcasting system.²⁷

As these conflicts were being resolved the American Congress, after five years of indecision, was finally reaching agreement on new regulatory legislation. Attempts at regulation during the early 1920's were obstructed by an inadequate legislative framework, created in 1912 with marine communication in mind, which required licensing of transmitting stations but not as receiving sets.²⁸ The act, moreover, gave the Secretary of Commerce no discretion to refuse an application for license as long as the applicant fulfilled certain requirements. Between 1923 and 1926, the Secretary tested the limits of his authority, first by re-allocating wavelengths (to the advantage of the patent allies), then by turning down license applicants, but this action was successfully contested in the courts in 1926.²⁹ Prodded by critical need, Congress passed a new radio act in 1927.

A Federal Radio Commission was created, on a temporary basis, and empowered to regulate all types of radio communication.³⁰ This included, among other things, the power to allocate wavelengths and to grant, renew or revoke broadcasting licenses according to its assessment of "public convenience, interest or necessity." The Commission was to give special attention, underlined by an amendment of the following year, to ensuring national coverage on an equitable basis. The original intention of the legislation was that, after a year, licensing authority would pass to the Secretary of Commerce. The commission's authority was periodically renewed. However, until in 1934 it was replaced on a permanent basis by the Federal Communications Commission. Except for minor modifications which accompanied the establishment of the FCC, the 1927 act set the pattern of government regulation of broadcasting in the United States.

The shape of American broadcasting, by no means predictable even in 1925, thus emerged with some clarity by the late 1920's and early 1930's. The primary coordinates which defined the American system were private ownership of broadcasting facilities (mainly by large corporate entities); government regulation; and finance by means of commercial advertising. As in Britain, though with quite different results, the system developed gradually and uncertainly, by

a succession of specific responses to changing technological, institutional and legislative circumstances.

The study of British and American broadcasting development is instructive in two respects for our understanding of the Canadian experience. In the first place, it can be argued that the story of the early years of broadcasting in Britain, the United States and Canada is *one* story rather than three, at least from the Canadian point of view. For example, the changing technology and structure of the Canadian radio industry to some extent followed on developments in the other two countries, particularly the U.S. This was especially true with respect to the industry's financial basis. Also, the debate which came during the early 1930's about the nature of Canadian broadcasting was influenced by the crystallizing of alternatives — private and state, commercial and non-commercial, public service and entertainment — which had taken place overseas and south of the border over the previous decade. The context of decision-making in Canada thus was entirely different than it had been earlier both in Britain and the United States, not only because Canadian development had been somewhat different but because the British and American patterns had already been formed.

Secondly, this study gives rise to serious doubts about the validity of interpreting the origins of the British and American patterns of broadcasting in terms of contrasting "value" systems. The doubts are important because this interpretation has influenced the historiography of Canadian broadcasting. The "collectivism" of state ownership in Britain and the "individualism" of private ownership in the United States have provided an implicit comparative framework within which the origins of the Canadian system have themselves been interpreted. If the study rejects this framework, however, it also suggests another, one which directs our attention more to specific technical and economic factors than to a unique set of political and cultural values in order to explain the role of the state in Canadian broadcasting.

When the basic decision was made to create a state broadcasting enterprise, the Canadian radio industry was in a weak condition. During the twenties broadcasting had evolved from a subsidiary activity, designed to promote the broadcaster's primary commercial, religious or educational interest, to a business in its own right. Yet with few exceptions, local stations lacked markets of sufficient size to attract large amounts of advertising revenue, and even at the network level the same factor imposed limits on expansion.

Perhaps the most important of the early license holders was the Canadian National Railway system, which in a highly innovative manner had begun broadcasting partly to improve communication within the corporation itself but mainly to attract and hold traffic. "As an advertising medium," explained the Minister of Railways and

Canals in 1924, "radio telephony is unsurpassed and the administration believes that in the establishment of a radio department it has taken a unique and constructive step in railway operation."³¹

CN radio had a two-fold significance. First, telephone lines, the vehicle for national broadcasting in the U.S., were not coordinated on a nation-wide basis in Canada until 1932, and CN's national network, developed by 1929, was thus the means by which advertisers such as Imperial Oil could reach a large market. Second, while CN built some of its own station facilities, it also leased other independent ones, thereby offering welcome assistance to increasingly hard-pressed local station owners. The financial limitations of network broadcasting were masked by CN's ability to employ its hotel orchestras, already on salary, and by its corporate structure. CN's expenditures on radio constituted at their height, only 17.5 per cent of its entire outlay on advertising and publicity.³² The network ran aground, however, on political pressures to reduce the railway's overall expenditures, and the radio department was drastically cut back in 1931 and again in 1932.

The legislative framework within which stations operated was a product of the pre-broadcasting radio era. Its basis lay in the Radio Telegraph Act of 1913, which, in contrast to contemporary American legislation, required that receiving sets as well as transmitters be licensed and gave to the responsible minister discretion in granting licenses to applicant. Potentially restrictive, the act nevertheless liberally interpreted, in the hope that competition would stimulate improvement in the quality of transmission and programming.³³ As a result, while coverage in sparsely settled areas was poor, intermittent or non-existent, highly urbanized areas experienced the same problems of interference and overlapping which in all countries necessitated some form of government regulation. While the problems were in part soluble only by international agreement (eventually under the Havana Treaty of 1941) they were one reason for the appointment, in 1928 of a Royal Commission headed by Sir John Aird, to investigate Canadian broadcasting.³⁴

Government licensing policy aimed in part to control the spread of direct advertising.³⁵ Its actual impact, however, is not at all clear. For one thing, it was only in the late twenties that advertisers really begun to use the sponsorship potentialities of radio programming. For another, station owners evaded government regulations by the use of "phantom" stations, a device whereby an advertiser would lease facilities and broadcast under his own call letters. The regulations themselves were open to changing interpretation, as the meaning of direct advertising narrowed over time. The director of the government's Radio Service told the House of Commons Radio

Committee in 1932 that, "Direct advertising has finally come down to this after eight years, 'Thou shalt not mention prices or money.'"³⁶ Critics of commercial radio decried the triumph of "advertising chatter" and the associated predominance of light entertainment programs.

The public ownership debate of the early 1930's, then, followed upon a decade of uneven development. Radio programs were not only light; many of them were also American. Canadian listeners simply tuned in the signals of powerful American stations. Canadian broadcasters, moreover, picked up the popular sponsored and sustaining programs of the American networks at small cost: by pirating in some cases, by mutual agreement in others (including that of CN), or even by outright affiliation. Nationalist concerns therefore joined concerns for public service programming and demands for expanded station coverage at the forefront of the debate over broadcasting policy. They were placed there in large part by the efforts of the Canadian Radio League, an organization formed in October, 1930, to press for radio reform.

The developing conflict was not one between diametrically opposed positions. Rather, the alternatives proposed occupied a fairly narrow middle ground, both ideologically and practically. For example, the Aird Royal Commission had recommended the establishment of a state-owned company which, supported by license fees, subsidies and revenue from indirect advertising, would take over all broadcasting in Canada. The Radio League, around which the public ownership forces gathered, considerably modified this far-reaching proposal. It focused its major attention on network broadcasting, an area neglected in the Aird recommendations. The League argued that the government should establish a series of high power stations across the country which would bring national network programs to the bulk of the Canadian population. The network wirelines themselves were not to be publicly owned. Low power stations would remain at the local level, "be they operated commercially, by amateurs or by some civic authority."³⁷ For their part the station owners and their allies accepted the necessity of a government regulatory body to control licensing and oversee the quality of programs, including their advertising content. Moreover, they all argued that broadcasting required government assistance, although they were not united on the form such assistance might take. The government might construct and operate, at least for a time, stations in areas of small population. Or it might subsidize line costs for network transmission. Or it might establish its own network which would exist alongside a private one, to carry educational and "uplift" programs. The CPR proposed to set up a national broadcasting company to be supported by advertising and owned by the railways and the radio manufacturers, but even this would need a

rebate of some portion of the license fees "until the company is on a self-sustaining basis."³⁸

Also, while the merits of radio advertising, both aesthetic and economic, were a subject of heated debate, it is important not to exaggerate the differences in the actual proposals which each side presented for dealing with advertising in Canadian broadcasting. The private interests defended the quality of programming in metropolitan areas and suggested that with government aid this could be extended across the country. One of the constant refrains of their campaign was Canadian manufacturers' need for access to radio advertising in order to compete with products from the U.S. Excesses could be prevented by regulation. In February, 1931, the Canadian Association of Broadcasters recommended to its members that they exclude advertising from Canadian programs broadcast on Sunday, and that during the week, after 7 p.m. advertising not exceed five per cent of program time.

The League, on the other hand, did not reject radio advertising as such, though ideally some of its members would have preferred to do so. Rather it wished to impose controls on its nature and extent. The Aird Commission had recommended that direct advertising be eliminated, but added, in response to manufacturers' fears of American competition, that indirect advertising should be allowed to continue. That is, commercial sponsorship would be allowed but no direct sales appeal. The League retained the Aird proposal and suggested that advertising content be limited to five per cent of program time.

Above all, the League's concept of public service radio derived its political strength more from the economic nerve it touched than from any widespread acceptance of its program implications. For if American history suggested that dependence on advertising threatened the public service potential of radio, it also suggested that radio advertising threatened the revenues of newspapers. In Canada, as in the U.S., newspapers had contributed greatly to the excitement surrounding the inception of radio broadcasting. They had followed closely the development of the new medium, a newsworthy subject in itself, and willingly had announced program schedules for their readers. Some had opened stations themselves as a means of indirect advertising, hoping to increase circulations. Also, they had responded to radio manufacturers as a source of advertising revenue.³⁹ By 1931, however, Canadian newspapers were thoroughly apprehensive of radio competition, and the industry they confronted was by no means the giant which successfully fought off the press in the United States.

In that year, at the annual meeting of the Canadian Daily Newspaper Association, members heard a report on the inroads

radio had made on the revenues of their American counterparts, and set up a joint committee with the Canadian Press to study the problem.⁴⁰ The newspapers were caught in the proverbial cleft stick. They were reluctant to discontinue their program announcements, which by now often included the sponsor's name and even his product, for fear of losing readers; yet they were concerned about "the unprecedented amount of free publicity lavished upon this competing medium."⁴¹ Under the circumstances, the movement for non-commercial broadcasting held enormous appeal and won their overwhelming support. Of twenty-seven papers in favour of a publicly-owned system in 1931, only four owned radio stations themselves. Of eight opposed to public ownership, five owned stations and two had close connections with local broadcasters.⁴² At the 1931 meeting of the CDNA, a pamphlet by Graham Spry and Alan Plaunt, leaders of the Radio League, was distributed: "Radio Advertising — A Menace to the Newspaper and a Burden to the Public."

This is not to say that the press was hypocritical in its stress on the *national* need for public broadcasting, nor that Spry and Plaunt were cynical in their approach to the issue. Rather the newspapers' own financial interests coincided to a remarkable degree with the "national interest" as perceived by the public ownership movement, and Spry and Plaunt acted to exploit it. After the creation of the CRBC in 1932 and to some extent after its replacement by the CBC in 1936, newspapers pressured the public network to limit commercial programming, but then, as radio became increasingly profitable, more publishers entered the business, and press attitudes toward private commercial broadcasting became correspondingly more favourable.⁴³ The identity of interest between the vast majority of newspapers and the cause of public ownership was thus specific to the early thirties. It is difficult to overestimate their role in the success of the public ownership movement.

It seems almost an assertion of faith to conclude that national feeling, because it was so widely expressed, was therefore the most important factor in determining the shape of the new system. Concern for national control of broadcasting communication was one factor, in Canada and elsewhere, which prompted government action of some kind in the radio field. The particular kind of action, however, which the Canadian government took, the political choice which it made, was a product of the financial pressures which impinged on Canadian radio at that time — the weakness of private broadcasting, the needs of advertisers, the almost unanimous demands of the press.

A distinctive system did emerge, not from a unique Canadian mentality or ideology, but from particular Canadian conditions. The public ownership movement found significant support among

Canadian businessmen, sufficient to ensure its partial success, because its concept of the national interest coincided with significant business needs. The state's active role in Canadian broadcasting, therefore, is not an example of the way in which nationalism has produced a peculiar Canadian attitude to state economic activity. On the contrary, it is a case which suggests that businessmen in Canada have assessed, countenanced and encouraged state "intervention" according to their economic requirements, an approach strikingly similar to that of their counterparts in other western capitalist societies.

FOOTNOTES

1. Asa Briggs, *The Birth of Broadcasting* ("The History of Broadcasting in the United Kingdom", Vol. I; London, 1961), p.59.
2. This account is based mainly on the first volume of Briggs' history of broadcasting in Britain, cited above.
3. In part, Marconi was responding to the American lead in world markets for radio equipment (S.G. Sturmey, *The Economic Development of Radio* (London, 1958), p. 138).
4. Briggs, pp.84, 87.
5. *Ibid.*, quoted, p.103.
6. *Ibid.*, p. 109. See also, Sturmey, pp. 140-43.
7. *Ibid.*, p.93.
8. *Ibid.*, quoted, p.68.
9. *Ibid.*, p.59.
10. *Ibid.*, pp. 167, 174-76.
11. *Ibid.*, p. 196.
12. *Ibid.*, pp. 135, 234; J.C.W. Reith, *Into the Wind* (London, 1949), pp. 98, 90-1.
13. Erik Barnouw, *A Tower in Babel* ("A History of Broadcasting in the United States", Vol. I to 1933; New York, 1966), p. 91. For the United States there is no equivalent to Briggs in quality. See also the two volumes by Gleason L. Archer, *History of Radio to 1926* (New York, 1938) and *Big Business and Radio* (New York, 1939).
14. Barnouw, pp, 49, 52, 57-8.
15. *Ibid.*, pp. 64-74. The United Fruit Company, which had developed a radio service to coordinate its Caribbean operations, also joined.
16. *Ibid.*, p. 115.
17. Hiram L. Jome, *Economics of the Radio Industry* (Chicago, 1925), pp. 174-80.
18. Barnouw, quoted, p. 96.
19. Ralph M. Hower, *The History of an Advertising Agency; N.W. Ayer & Son at Work , 1869-1939* ("Harvard Studies in Business History", Vol. V; Cambridge, Mass., 1939), pp. 153-56.

20. Wiliam Peck Banning, *Commercial Broadcasting Pioneer: The WEAJ Experiment, 1922-1926* (Cambridge, Mass., 1946), quoted, p. 68; see also pp. 53-61.
21. *Ibid.*, p. 268. Indirect advertising was allowed on the BBC, though it was not used after 1926 (Briggs, p. 189).
22. Barnouw, p. 158; Richard B. Tennant, *The American Cigarette Industry: A Study in Economic Analysis and Public Policy* ("Yale Studies in Economics", Vol. I; New Haven, 1950), pp. 81-4.
23. John W. Spalding, "1928: Radio Becomes a Mass Advertising Medium", *Journal of Broadcasting*, Vol. VIII (Winter, 1963-64), p. 33. See also Frank Presbrey, *The History and Development of Advertising* (Garden City, New York, 1929), p. 579.
24. Archer, *Big Business*, pp. 421-22.
25. Much of Archer's *Big Business and Radio* is devoted to the conflict within the alliance. Even before 1923 several aspects of the agreement were being disputed.
26. Barnouw, pp. 81-2, 114ff., 160ff. Some of the patents had been purchased from their original holders with the proviso that the holders could employ them for "amateur" purposes. This proved to be a means by which companies could build sets, often requiring only the insertion by the purchaser of RCA tubes, for amateur listeners.
27. Their pre-eminent position was not substantially altered by the renewal of federal anti-trust action in 1930. After two years of negotiations the original alliance was dismantled without weakening its individual members. (Archer, *Big Business*, pp. 352-86).
28. Barnouw, pp. 16, 31-3, 77.
29. Barnouw, pp. 121-22, 189-90.
30. The law is appended to Barnouw, pp. 300-15.
31. Frank W. Peers, *The Politics of Canadian Broadcasting, 1920-1951* (Toronto, 1969), quoted, pp. 22-3. See also E. Austin Weir, *The Struggle for National Broadcasting in Canada* (Toronto, 1965), pp. 7-12.
32. Weir, pp. 94, 26; Peers, pp. 25-6.
33. Peers, pp. 16-17.
34. *Ibid.*, pp. 34-5.
35. Annual Report of the Department of Marine and Fisheries for the Fiscal Year 1922-23; Marine Branch, *Sessional Papers*, Vol. LX, No. 6, 1924; Annual Reports of the Department of Marine and Fisheries for the Fiscal Years 1924-24 and 1925-26, Marine Branch, *Annual Departmental Reports*, 1924-25, Vol. VI and 1925-26, Vol. III.
36. Peers, quoted, p. 29 (fn. 40).
37. *Ibid.*, quoted, p. 92; p. 66 (fn. 8).
38. *Ibid.*, p. 73; Weir, pp. 123-24.
39. W. A. Craick, *A History of Canadian Journalism* (Vol. II; Toronto, 1959), pp. 188, 208.

40. *Ibid.*, p. 207-8.
41. *Ibid.*, quoted, p. 207.
42. Peers, pp. 67, 77.
43. *Ibid.*, pp. 41-2, 286-87. See also M.E. Nichols, (*CP*): *The Story of the Canadian Press* (Toronto, 1948), pp. 263-65, 268.